

## Message Text

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ORIGIN AF-18

INFO OCT-01 EUR-25 ISO-00 EB-11 TRSE-00 XMB-07 L-03 COME-00

OMB-01 AID-20 IGA-02 CIAE-00 INR-10 NSAE-00 RSC-01

SS-20 SPC-03 NSC-10 /132 R

DRAFTED BY AF/W:JKBISHOP:RCB

APPROVED BY AF:RSSMITH

AF/W:JLLOUGHRAN

EB/IFD/ODF:EMLINTON

TREASURY:HSHAPIRO (SUBS)

AFR/CWA:AHELLIS (SUBS)

EXIM:LLAROCHE (INFO)

L/AF:KHUFFMAN

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P R 072330Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY ACCRA PRIORITY

INFO AMEMBASSY LONDON

AMEMBASSY ROME

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E.O. 11652 N/A

TAGS: EFIN, EAID, PFOR, IBRD, GH

SUBJECT: GHANA DEBT: SECOND ROUND NEGOTIATIONS

REF: A. LONDON 1701; B. LONDON 1611.

1. DEPARTMENT HAS RECEIVED FROM BRITISH EMBASSY UK REPORT ON LEQUESNE'S MEETINGS WITH ASHLEY-LASSEN AND ASANTE. CONTENTS PARALLEL INFO PROVIDED REFTELS. BRITISH SAY ASANTE SHOWED LITTLE RESISTANCE WHEN LEQUESNE INSISTED CREDITORS WOULD NOT RESCHEDULE POST-NKRUMAH DEBT. ASANTE DID NOT CONTEST LEQUESNE'S STATEMENT THAT FUTURE NEGOTIATIONS MUST BE ON BASIS OF CREDITORS' DRAFT AGREED MINUTE.

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2. BRITISH ALSO HAVE GIVEN DEPARTMENT LEQUESNE'S COMMENTS

AND CONCLUSIONS ON HIS MEETINGS. LEQUESNE SAYS HE IS UNSURE IF GHANAIAAN STUBBORNESS ON 10/18/2 PERCENT FORMULA WAS NEGOTIATING PLOY, BUT HE THINKS CREDITORS SHOULD STICK TO 10/18/2.5 PERCENT AND SEE WHAT GHANAIAAN REACTION WILL BE. LEQUESNE CONCLUDES THAT HE BELIEVES OTHER OUTSTANDING POINTS AT ISSUE COULD BE RESOLVED IN MARCH NEGOTIATIONS WITH GHANAIAANS.

3. FOLLOWING IS TEXT OF LETTER LEQUESNE PROPOSES SEND ASHLEY-LASSEN. USG HAS APPROVED TEXT, WITH REQUEST THAT DATE MARCH 12 BE SUBSTITUTED FOR MARCH 11 THROUGHOUT, TO PERMIT CREDITORS TO CAUCUS MARCH 11. USG ALSO HAS REQUESTED REFERENCE BE MADE TO SECTION ONE AS WELL AS SECTION TWO OF THE CREDITORS' DRAFT AGREED MINUTE IN THE FIRST SENTENCE OF PARAGRAPH FOUR, TO MAKE CLEAR THE DE MINIMIS PROVISION WOULD APPLY TO PAYMENTS DUE DURING PERIOD FEBRUARY 1, 1972 TO JUNE 30, 1972.

4. QUOTE: AT OUR RECENT MEETING IN LONDON I TOLD YOU THAT I HAD THE AUTHORITY OF ALL THE CREDITORS TO SAY THAT, IN RECOGNITION OF YOUR GOVERNMENT'S STRONGLY EXPRESSED DESIRE FOR A 10 YEAR GRACE PERIOD, WE WERE PREPARED TO RECAST OUR DECEMBER PROPOSALS IN A WAY THAT MET THIS REQUIREMENT OF YOURS WHILE MAINTAINING THE OVERALL GRANT ELEMENT AT THE PREVIOUS FIGURE, A POINT TO WHICH THE CREDITORS ATTACH IMPORTANCE.

AS A RESULT, I SAID THAT WE COULD OFFER YOU A 10 YEAR GRACE PERIOD FOLLOWED BY REPAYMENT OVER 18 YEARS AT 2 AND A HALF PERCENT INTEREST. I STRESSED THAT THIS WAS THE CREDITORS' MAXIMUM EFFORT, AND THAT IT WAS AN OFFER WHICH THEY BELIEVED TO BE GENEROUS.

AT YOUR REQUEST, I UNDERTOOK TO ASK THE OTHER CREDITORS WHETHER THEY WOULD BE PREPARED TO AGREE TO YOUR COUNTERPROPOSAL OF 10-18-2 PERCENT. I TOLD YOU AT THE TIME THAT I HAD LITTLE EXPECTATION THAT THIS WOULD BE ACCEPTABLE TO THE CREDITORS, AND THIS IS INDEED THE CASE. I HAVE THEREFORE TO TELL YOU THAT THEY ARE UNANIMOUS THAT THEY CANNOT MODIFY THEIR OFFER OF 10-18-2 AND A HALF PERCENT.

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DR. ASANTE WILL, NO DOUBT, HAVE TOLD YOU THAT WE HAD A USEFUL DISCUSSION ON 5 FEBRUARY, AND I CAN NOW TELL YOU THAT THE CREDITORS CAN AGREE TO YOUR GOVERNMENT'S PROPOSAL THAT PAYMENTS FALLING DUE UNDER PREVIOUS AGREED MINUTES ON AND BETWEEN 1 FEBRUARY 1972 AND 30 JUNE 1972 SHOULD BE RESCHEDULED ON THE SAME TERMS AS SPECIFIED IN SECTION II OF THE AGREED MINUTE, PROVIDED THAT YOUR GOVERNMENT WILL

ACCEPT THAT 1 JULY 1972 SHOULD BE THE STARTING DATE OF THE NEW AGREEMENT AND THAT ALL PAYMENTS FALLING DUE UP TO AND ON 31 JANUARY 1972 SHOULD BE BROUGHT UP TO DATE FORTHWITH ON THE SIGNATURE OF THE AGREED MINUTE, WHETHER OR NOT THE CREDITOR COUNTRY CONCERNED HAD CONCLUDED A PREVIOUS BILATERAL AGREEMENT OR ARRANGEMENT. WE ARE PREPARING, AND WILL SOON LET YOU HAVE, AN AMENDED DRAFT AGREED MINUTE TO SERVE AS THE BASIS FOR FURTHER NEGOTIATIONS. THIS WILL COVER THE POINT I DISCUSSED WITH DR. ASANTE ABOUT SECTION V(III)(D) OF YOUR DRAFT.

THE CREDITORS HOPE THAT, ON REFLECTION, YOU WILL AGREE THAT, WHILE THE FORMULA THAT THEY HAVE PROPOSED FOR THE RESCHEDULING OF THE DEBTS MAY NOT GO AS FAR AS YOU WOULD WISH, AN AGREEMENT BASED ON IT WILL BE ON BALANCE ADVANTAGEOUS TO GHANA. FOR OUR PART WE ARE READY, IF YOU AGREE TO THIS FORMULA, TO MEET IN ROME ON 11 MARCH TO NEGOTIATE A FORMAL AGREEMENT ON THE BASIS OF THE REVISED DRAFT OF THE AGREED MINUTE WHICH, AS I HAVE SAID, WE WILL BE LETTING YOU HAVE SHORTLY.

IF I MAY CONCLUDE WITH A PERSONAL - BUT NOT UNIMPORTANT - CONSIDERATION. I AM, AS YOU KNOW, FINISHING MY PRESENT JOB IN ABOUT SIX WEEKS. I HAVE A GREAT MANY THINGS TO DO BEFORE I GO AND IT WILL BE OF THE GREATEST HELP TO ME TO KNOW AS SOON AS POSSIBLE IF WE SHALL BE MEETING IN ROME ON 11 MARCH. WOULD IT BE TOO MUCH TO ASK YOU TO LET ME HAVE YOUR REPLY NOT LATER THAN 23 FEBRUARY? IF IT IS DELAYED BEYOND THAT IT MAY BE DIFFICULT FOR ME TO KEEP THE WEEK OF 11 MARCH FREE - AND IF WE CANNOT MEET THEN IT WOULD BE IMPOSSIBLE FOR US TO PROPOSE ANOTHER DATE BEFORE MAY. UNQUOTE. RUSH

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